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U. S. CIVIL SERVICE COMMISSION
BEFORE THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE

APRIL 28, 1960

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

The Committee today is to discuss the pay situation in the Federal Government, particularly as it may relate to any proposals for a general pay increase. I hope that this statement may assist the Committee in its discussion and deliberations. May I say at once that I do endorse the proposal to make permanent the 2 $\frac{1}{2}$ % temporary increase in salary for employees in the postal service, as recommended in the Budget Message of the President and as proposed in S. 3141. However, I cannot support legislation which would provide general pay increases for the Classification, Postal, and other statutory salaried groups.

In support of my position, I would like to comment on the pay picture for the civilian service as a whole and give a number of reasons why we would oppose general pay increases at this time. Two chief principles are involved. The first is conviction that we have no acceptable basis now for coordinating Federal pay systems and should await the development of data on which a rational pay policy can rest for a number of years to come, -- a flexible and equitable basis for keeping Federal compensation reasonably

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competitive with private business and industry. The second is the adverse fiscal implication of general pay increases at this time. Testimony of the Bureau of the Budget sets forth clearly the position of the Administration on this score. Let me also indicate that many pay systems and statutes would inevitably be involved in general pay legislation. This Committee is fully cognizant of the multiplicity of divergent pay plans in the Federal service. A report presented by Chairman Johnston on March 18, 1953 (Senate Report No. 34) describes briefly some 90 pay plans then existing in the Government. Unfortunately higher priority business prevented the Subcommittee from investigating and evaluating at that time each of the plans which were identified.

Background

In June 1959 some 2,380,000 civilians were employed in the diverse and important missions carried out by the departments and agencies. Of this number, about 1,078,000 employees were in the Department of Defense, 550,000 were in the Post Office Department, 171,000 were in the Veterans Administration, and 583,000 in all other departments and agencies combined. Of these employees, only about 234,000 (10 percent) were located in the Washington, D. C. metropolitan area. The remainder were assigned in thousands of offices located in the states, the territories and possessions, and in foreign countries. Among the states, Vermont had the fewest Federal employees - 3300, as compared to about 237,000 in California. Approximately 129,000 employees were in foreign countries of which about 96,700 were non-citizens.

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The Federal civilian payroll amounts to about \$12.5 billions per annum for the entire service. It is made up of about \$148,000,000 for the legislative branch, \$35,000,000 for the judicial branch, and about \$12.3 billions for the executive branch. When we are dealing with annual expenditures of this magnitude, it is easy to understand why pay legislation is such a very serious business. The cost of any pay legislation, of course, depends in part on its coverage. For example, the coverage pattern of the 1958 pay legislation was very broad. It included the Classification Act of 1949, the Postal Field Service Compensation Act, the Department of Medicine and Surgery of the Veterans Administration, the Foreign Service Act of 1946, and employees in the legislative branch and certain employees in the judicial branch. It also authorized retroactive pay increases for those employees of the Federal Government and the Municipal Government of the District of Columbia whose rates are fixed by administrative action (except wage board employees). By subsequent Congressional action, funds were even authorized for increasing the pay rates of thousands of employees of the Agricultural Stabilization County Committees who are not Federal employees. Thus the coverage, direct or indirect, of the 1958 pay Act extended to practically all groups of civilian employees except the wage board group and those individual positions for which Congress specifically fixes salary rates.

As a practical matter, Mr. Chairman, any general pay increase, following the 1958 pattern, would in all probability be concerned with the major share of the annual salary bill of the Federal government.

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The taxpayers generally, as well as the Government and its employees, are vitally concerned with this huge payroll. There has never been public indifference to the problem of appropriately compensating employees of the Federal Government. Generally, we in America have followed the principle that the Federal salary system should be compatible with the sound business practices of private enterprise, - justifiable in cost, and equitable in pay relationships among its employees. But it now appears that we have not done much in recent years to follow the principle we espouse. If the Federal Government is to correct the situation and attain this end, it must have a comprehensive pay policy. Unfortunately, we have no such policy. The impetus of pay raises since the end of World War II, almost 15 years ago, has proved that we have never done a proper job of inter-relating pay systems. In lieu of making such an effort, we have been prone to grant percentage and across the board increases without consideration of the policies underlying such an approach. Until a sound pay policy is developed, pay legislation will continue, as in the past, to put patch upon patch, with little fundamental improvement to show for a continuing increase in payroll costs.

There are many variations in our present pay systems. For example, under the Classification Act of 1949 and the Postal Field Service Compensation Act of 1955, pay is based on the duties and responsibilities of the job and the qualifications required for its performance. In other words, the job is priced and not the man. Conversely, in the Foreign Service and in the Department of Medicine and Surgery of the Veterans Administration, the man, rather than the job, is priced on the basis of personal qualifications and

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service, although a defensible relationship is maintained between the rank of the man and the level of the assignment.

Pay may be set by Congress on a nationwide basis. It may be set by Administrative action on a local, regional, or national prevailing rate basis as is the case with the many wage board plans for artisans and craftsmen. In some cases, the pay rates may be at least partially negotiated, as is the case in the Government Printing Office and in the Department of the Interior for certain employee groups.

Differences in the locus of responsibility for pay administration foster wide divergence among pay plans. For example, Congress fixes salary schedules and pay plans for the Classification Act and Postal groups, and even the Zoo Police. For other groups, agencies are given wide discretion in fixing and adjusting pay schedules as in the case of several hundred thousand blue-collar workers. There appears to be no uniform basis for these differences. Congress sets some high-level salaries, but permits others to be set administratively. Under a variety of statutory and administrative limitations and degrees of limitations, pay is fixed for Public Law 313 positions, for experts and consultants, and for high-ranking positions in the National Aeronautics and Space Administration and the Tennessee Valley Authority.

Congress permits some low-level salaries to be set administratively, such as blue-collar workers at lower levels but sets others by statute (e.g., lower Classification Act levels, lower levels of postal workers, including those performing manual labor).

In the case of salary schedules established by statute, there are no clear-cut criteria for determining when pay adjustments are necessary, the amounts of adjustments to be made, or the basis for making adjustments.

The periods between pay adjustments vary considerably. Adjustments are made almost annually for employees whose wages are fixed by wage boards; at the other extreme, the salary of members of Congress has been increased only five times in the past 100 years. I know of no other group who, on the average, have had to wait 20 years to have their compensation adjusted to meet prevailing conditions.

Now I would like to refer to a brief quotation from the Message of the President of January 18, 1960, transmitting the Budget for the fiscal year 1961.

"In 1958 immediately following enactment of a 10% general salary increase for Federal civilian employees, I proposed to the Congress a review of all compensation systems in the three branches of the Federal Government, directed toward adoption of an equitable employee compensation policy. This recommendation was renewed in my budget message for the 1960 fiscal year.

"It has been more than 30 years since a thoroughgoing review has been made of the manner in which the Federal Government compensates its employees. There are now dozens of pay plans in the executive branch alone. Review and coordination of the excessive number of pay plans now in existence are the most effective means of removing inequities which adversely affect the Government's ability to recruit and retain qualified personnel in some fields. Continued patching of individual Federal salary systems is not satisfactory as a substitute for a comprehensive Federal pay policy, which should be developed either by authorizing a Joint Commission such as I proposed or by some other equally effective means. Pending development and adoption of such a comprehensive policy, a general pay raise would be unwarranted, unfair to the taxpayers of the United States, and inequitable as among employees compensated under different and unrelated pay systems."

The general objectives of such a review, as I see it, would be to prepare comprehensive recommendations which would serve as the basis and guide for legislative proposals as to the compensation system or systems which would best meet current and foreseeable needs of the Federal service. This would include a coordinated system of one or more plans for classifying and compensating white-collar and blue-collar employees plus a comprehensive basic pay policy for the Federal Government. Such a basic pay policy would include a determination of the economic and social factors to be considered in establishing pay scales; the appropriate relationships between Federal Government and State and local government and industry pay; the appropriate role of employees and employee organizations in determining classification and pay policy; the extent to which salary and wage rates should be established on a nationwide basis, on a regional or locality basis, or on an industry basis; minimum wage and maximum wage policies; the locus of responsibility for fixing and revising pay rates on a continuing basis; the methods by which pay rates would be fixed and revised; and the methods of installing any new classification or pay plan or plans.

We would hope that policy answers could be made to such questions as --

Where Federal pay levels are based on prevailing non-Federal levels, should the Government be the leader, be a "model employer," maintain a competitive position .. with the better employers .. with the average employer? What weight should be given on Federal pay levels to such factors as basic standard of living and standard of living improvement factors, changes in consumer prices, increases in non-Federal salaries, minimum rates fixed by the Government for private industry, increase in productivity,

governmental fiscal policy, or the effect of Government pay policy on the general economy?

Some of these factors are sometimes considered when adjustments are being made in statutory salary schedules, but such consideration as is given is pretty much on a hit or miss basis and without regard to any consistent policy.

Perhaps the most critical problem relating to statutory pay schedules, particularly those of the Classification Act, is the lack of flexibility. The problem is how to establish necessary flexibility with adequate controls. More specifically, how can we best authorize prompt adjustment of pay schedules when conditions warrant, or meet problems arising from differences in prevailing pay levels among occupations or among localities? How can substantial differences among individuals in the matter of accomplishments or qualifications be adequately recognized? Without doubt, the demands of modern Government in a modern world suggest that greater flexibility in setting and adjusting pay rates is an extremely important need.

The patch-work pattern of pay legislation which currently exists is the result of political efforts to be fair, sometimes in response to group pressures, sometimes to labor market necessities, and often in recognition of unique agency problems. But Congress often has had to act without adequate information, and the Executive Branch, until now, has done little to remedy the lack. A contributing factor to the present imbalance may be that legislative proposals which have pay implications are considered by numerous Congressional committees without the benefit of uniform principles for action

or a coordinated review by any single committee of Congress. During the 86th Congress, bills containing compensation provisions were referred to this Committee and to the Committees on Finance, Government Operations, Agriculture and Forestry, Foreign Relations, Banking and Currency, Armed Services, Appropriations, Aeronautical and Space Sciences, Public Works, Labor and Public Welfare, Interior and Insular Affairs, Rules and Administration, Interstate and Foreign Commerce, Judiciary, and District of Columbia -- a total of sixteen different committees, or every Standing Committee of the Senate. During the same period, in the House of Representatives, bills containing provisions relating to compensation matters were referred to at least nineteen different committees.

It is true, Mr. Chairman, that in many instances the pay provisions are more or less incidental to major purposes of the proposed legislation being considered by other committees. It may be, because such compensation provisions have not been of primary concern to other than this Committee, that these matters are not given as thorough or consistent consideration as they would have received if they had been brought before this Committee. If most of the committees and subcommittees are to consider pay matters, the Congress and the Executive agencies need firm policy guides. The only substitute with any chance of success would be coordinated review of existing and proposed authorizations. This statement, Mr. Chairman, is intended only to point out the fact that many pieces of legislation on pay matters, have emanated from many committees of Congress with many differing points of view. Under such circumstances it is no wonder that the present array

of several hundred statutes -- without a comprehensive pay policy -- is bewildering and inconsistent.

Survey of White-Collar Salary Rates

The most rational basis for considering pay increases is factual information on the rates paid in private industry for work of approximate comparability to work in the Federal Government. The Administration has advocated the principle that Federal white-collar pay rates should be reasonably comparable with rates paid by private enterprise for the same or similar work. To put this principle into action, it is necessary to know the pay rates which prevail in non-Federal employment. Unfortunately, although there are bits and pieces restricted either to levels of work or to specific geographic areas, the existing information on white-collar pay is inadequate.

Although some surveys of salary rates have been made by non-Governmental groups -- usually professional societies and trade associations -- which periodically collect pay data for certain classes of professional, administrative, and technical employees, they usually either ignore or inadequately define the level of work for which pay rates are gathered. The only Governmental survey of use is that which the Bureau of Labor Statistics has conducted of wages for clerical and office workers in 20 metropolitan areas. It, too, has been limited to a few types of jobs in the lower levels. However, taken individually or as a group, these surveys have not provided representative, nationwide data for a reasonable sample of Classification Act jobs.

I am glad to report that this situation is being changed. In September of last year Congress authorized and provided funds to the Bureau of Labor

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Statistics for a broad survey program which will permit annual nationwide estimates of the rates paid in private employment for work similar to that performed by Federal employees under the Classification Act. The expanded survey will cover 80 areas which are representative of the metropolitan areas of the United States. Under the new plan, which is now in operation, pay data will be collected on a representative sample of Classification Act occupations from GS-1 through GS-15. The survey will cover 28 occupations and 77 work levels selected from the following fields of work; clerical, general administrative, accounting, personnel, engineering, legal, natural sciences, and mathematics and statistics. Among these fields of work professional and managerial pay data will be collected from 2100 establishments selected from manufacturing; transportation, communication and other public utilities; trade; finance and insurance; and engineering and architectural services. Clerical data will come from all 15,000 establishments to be covered by community wage surveys.

The definitions of industry equivalents of Classification Act jobs at the GS-1 through GS-15 levels already have been tested in a pilot survey conducted by the Bureau of Labor Statistics in a variety of industries scattered throughout the United States. In the case of industry work equivalent to the GS-16, 17, and 18 levels the Civil Service Commission is undertaking a series of case studies in 26 companies, each of which employ 20,000 or more persons. This study will deal with pay in the fields of science and engineering, finance, legal, personnel, industrial relations, and plant management.

The first annual report on nationwide white-collar pay will be based upon Bureau of Labor Statistics surveys in 60 metropolitan areas between July 1, 1959 and June 30, 1960. A preliminary report will be published in September 1960. Subsequent annual reports will be based upon data collected in all 80 areas. We are moving, at last, to provide a factual basis which can be widely used.

It is true without any doubt that in many kinds of professional activities, particularly at the starting levels and for senior jobs Federal salaries are below those available in private industry. Engineers and mathematicians are good examples, when we compare salary offers to new college graduates or look at the offers senior government men receive daily from non-Federal organizations. In the middle professional ranges the picture is confused, and in the non-professional groups, almost anything can be shown by way of pay relationships. From such data as are available, it appears that Federal salaries in the lower levels of the Classification Act compare favorably with rates paid in private industry. For example, the results of a 1959 survey made by the National Office Management Association are at least indicative of the pay relationships between government and private industry in the first four levels of the Classification Act.

In 20 clerical positions covered, fairly direct comparisons can be made with similar positions under the Classification Act ranging in grade from GS-1 through GS-4. Some 388,000 employees (about 40% of the total coverage) are in these Classification Act grades. You will note from the following tabulation, that for eighteen of the twenty positions covered the salary

average of the appropriate Classification Act grade is from 3% to 22% higher than the nationwide averages shown in the survey for similar positions in private enterprise.

<u>Grade</u>	<u>NOMA Position Title</u>	<u>Salary</u>		<u>Class. Act as percent of NOMA</u>
		<u>NOMA Ind. Avg.</u>	<u>Class Act Grade Avg.</u>	
GS-1	Mail Clerk/Messenger	\$2860	\$3271	114.4
GS-2	Clerk, General "B"	3120	3507	112.4
	Calculating Machine Opr. Jr.	3276	3507	107.1
	Duplicating Machine Opr.	3328	3507	105.4
	File Clerk	2860	3507	122.6
	Key Punch Operator	3276	3507	107.1
	Tabulating Machine Opr. "B"	3744	3507	93.7
	Typist "B"	3068	3507	114.3
GS-3	Bookkeeping Machine Opr.	3120	3814	122.2
	Calculating Machine Opr. Sr.	3692	3814	103.3
	Key Punch Opr. & Verifier	3588	3814	106.3
	Stenographer "B"	3380	3814	112.8
	Tabulating Machine Opr. "A"	4472	3814	85.3
	Telephone Switch Board Opr.	3432	3814	111.1
	Switch Board Opr. Receptionist	3380	3814	112.8
	Typist "A"	3432	3814	111.1
GS-4	Accounting Clerk "B"	3848	4133	107.4
	Clerk, General "A"	3848	4133	107.4
	Payroll Clerk	3952	4133	104.6
	Stenographer "A"	3796	4133	108.9

The data show that the minimum rate of the appropriate Classification grade is higher than the nationwide salary average for nine of the positions listed. I do not know whether the comparisons are valid, nor do I know whether other data which may be presented to you will present valid comparisons. If the NOMA figures are valid something is wrong, and it will not be corrected by blanket, across the board pay increases. In my opinion, these data demonstrate why a general increase in all levels of the Federal salary schedules is not justified at this time.

Mr. Chairman and Members of the Committee, my whole thesis is that we don't have a comprehensive pay policy to guide the legislative and executive branches in fixing and adjusting pay for Federal employees and that we do not have a sound factual basis for making general pay increases. Our Government is no small concern -- we are dealing with millions of employees and billions of dollars. We should know what we are doing, and why, and we should have a firm and rational basis for our decisions. The executive branch alone cannot make the policy and neither can the legislative branch -- it is something that must be worked out together by the two branches.

Until such time as the Bureau of Labor Statistics has completed the surveys upon which it is currently engaged and the resulting reports are available, justification for a general salary increase would be highly speculative, to say the least, and at best such an increase could only bring more confusion and uncertainty into the Federal pay policy picture.

In conclusion, Mr. Chairman, I want to emphasize that when the results of the expanded ELS pay surveys are available, it will be possible to apply on a sound basis the principle of reasonable pay comparability with pay in private enterprise for comparable work. I recommend most sincerely that we await these data before undertaking to set new pay policy or to adjust existing rates. Any action taken now will be cited, inevitably, as reason not to take action again next year, even to adopt new principles. It is, perhaps, unfortunate that we have let ourselves get into difficulty, but the cure is not more difficulty with all of its attendant fiscal consequences

and creation of further imbalances. It is my considered opinion that a general salary increase would not have the merit its advocates allege for it. I urge the Committee to defer any action except to the extent of making permanent the $2\frac{1}{2}\%$ temporary increase in the pay of postal employees.

I thank you for the opportunity to present my views.

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